

Message Text

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ACTION ARA-10

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CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 4517

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C O N F I D E N T I A L SANTO DOMINGO 3592

E.O. 11652: GDS

TAGS: EGEN, EFIN, DR

SUBJ: COMMENT ON PRESIDENT'S UPBEAT ECONOMIC SPEECH

REF: A) SD 3558; B) SD 2740; C) SD 948; D) SD 940; E) SD 3448

1. PRESIDENT BALAGUER'S UPBEAT SPEECH ON AUGUST 12 (SEE REFTEL A) EMPHASIZING MORE POSITIVE ASPECTS OF THE COMINICAN ECONOMY WAS MUCH MORE OPTIMISTIC IN TONE THAN THE JUNE 18 SPEECH REPORTED REFTEL B) IN WHICH THE PRESIDENT CALLED FOR AUSTERITY MEASURES TO COMBAT AN ECONOMIC EMERGENCY. THE SPEECH APPEARS TO HAVE BEEN TAILORED WITH THE THOUGHT OF RESTORING CONFIDENCE IN THE ECONOMY AND STEMMING DIRE PREDICTIONS WHICH MIGHT BECOME SELF-FULLFILLING PROPHECIES.

2. THE SPEECH WAS PRECEDED BY A MEETING OF BALAGUER'S PRINCIPAL ECONOMIC ASSISTANTS AND ADVISORS WHO WERE REPORTEDLY TOLD THAT THE GODR'S OFFICIAL POSTURE WOULD BE CONTAINED IN THE PRESIDENT'S SPEECH AND THAT FURTHER DISCUSSIONS ON WHAT TO DO ABOUT THE SERIOUS BUT MANAGEABLE ECONOMIC SITUATION WOULD HENCEFORTH TAKE PLACE IN PRIVATE.

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3. SINCE BALAGUER'S FEBRUARY 27 SPEECH ON THE ECONOMY (SEE REFTELS C AND D), CONFLICTING AND SOMETIMES CONFUSING PRONOUNCEMENTS HAVE BEEN COMING FROM DIFFERENT ECONOMIC SPOKESMEN OF THE GODR. IN THE FEBRUARY 27 SPEECH AND ACCOMPANYING REPORT TO CONGRESS, BALAGUER REDUCED SOMEWHAT THE PREIMINENT POSITION OF THE GOVERNOR OF THE CENTRAL BANK, DIOGENES FERNANDEZ, AND STRENGTHENED THE POSITION OF THE SECRETARY OF FINANCE BY MAKING THE LATTER (RATHER THAN THE CENTRAL BANK GOVERNOR) CHAIRMAN OF THE MONETARY BOARD. THE PRESIDENT ALSO BROUGHT OPPOSITION CHRISTIAN SOCIALISTS INTO THE GOVERNMENT BY APPOINTING ONE AS SECRETARY OF INDUSTRY AND COMMERCE AND ANOTHER AS TECHNICAL SECRETARY (FOR DEVELOPMENT AND PLANNING) IN THE PRESIDENCY.

4. IN-FIGHTING AMONG BALAGUER'S PRINCIPAL ECONOMIC ADVISERS BECAME MORE PRONOUNCED WITH THE APPOINTMENT OF FERNANDO ALVAREZ BOGAERT AS SECRETARY OF FINANCE. VICE PRESIDENT OF THE GOVERNING REFORMISTA PARTY AND FOR SEVERAL YEARS HEAD OF THE POWERFUL GODR SUGAR-PRODUCING OPERATION (CEA), THE NEW SECRETARY OF FINANCE IMMEDIATELY MOUNTED A CAMPAIGN AGAINST THE GOVERNOR OF THE CENTRAL BANK, THE PRINCIPAL ARCHITECT OF THE SUCCESSFUL DOMINICAN ECONOMY, BY CLAIMING THAT THE GOVERNOR WAS RESPONSIBLE FOR THE SERIOUS CONDITION OF THE COUNTRY, A CONDITION WHICH ALVAREZ ALSO WIDELY PREDICTED WOULD CONSIDERABLY WORSEN.

5. COINCIDENT WITH THE INTERNECINE WARFARE AMONG THE PRESIDENT'S ECONOMIC ADVISERS THE SECRETARY OF AGRICULTURE PRESENTED TO THE PRESIDEN AN ANALYSIS OF THE SEVERITY OF THE DROUGHT AND RECOMMEDNED A SUBSTANTIAL PROGRAM OF EMERGENCY MEASURES. THE PRESIDENT WAS NOT THEN DISPOSED TO TAKE DECISIVE COUNTERMEASURES, AND AQUINO SUBMITTED HIS RESIGNATION (SEE REFTEL E). DIFFERENCES AMONG PRESIDENTIAL ADVISERS ABOUT THE SEVERITY OF THE DROUGHT ADDED FURTHER UNCERTAINTY.

6. BALAGUER'S UPBEAT SPEECH WAS FORESHADOWED A DAY EARLIER WHEN HIS FINANCE SECRETARY DID AN ABOUT-FACE IN A PRESS CONFERENCE IN WHICH HE SAID THE SUGAR OUTLOOK WAS NOT REPEAT NOT SO BAD AFTER ALL.

7. IN THE MEANTIME THE PRESIDENT HAS TAKEN DECISIVE ACTION TO COUNTER THE EFFECTS OF THE DROUGHT. HE HAS PROVIDED DOLS 1
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MILLION FOR THE PURCHASE OF SEEDS FOR FOOD CROPS WHICH CAN BE GROWN IN A SHORTER TIME-FRAME, AND HE HAS ASSURED THE ACTING SECRETARY OF AGRICULTURE THAT DOLS 1.8 MILLION ADDITIONAL WILL BE AVAILABLE WHEN NEEDED. THE RECOMMENDATIONS OF SECRETARY OF AGRICULTURE AQUINO, STILL ON LEAVE, ON HOW TO DEAL WITH THE DROUGHT SEEM TO HAVE BEEN LARGELY ACCEPTED.

8. THE PICTURE WHICH EMERGES SEEMS TO BE (1) THE PRESIDENT

CONCLUDED THAT THE MOMENT CALLED FOR AN UPBEAT ECONOMIC SPEECH
NOT ONLY TO RESTORE CONFIDENCE IN THE ECONOMY BUT ALSO TOPUT
AN END TO CONFLICTING PUBLIC STATEMENTS OF HIS ADVISORS BY
SETTING THE OFFICIAL PUBLIC POSTURE OF HIS GOVERNMENT, (2)
THE GOVERNOR OF THE CENTRAL BANK SEEMS TO HAVE REGAINED SOME
STANDING AND SUPPORT FOR HIS RATHER ORTHODOX POLICIES, AND
(3) BALAGUER IS MOVING AHEAD IN COPING WITH THE DROUGHT.
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